

Appendix C – Captive Supplies and the Packers and Stockyards Act

The Packers and Stockyards Act (the Act) confers authority upon the Secretary to regulate the activities of the livestock industries, but the Secretary may not prohibit an activity or practice unless it violates the Act. The Act does not expressly prohibit the use of captive supplies in any form, including packer feeding of livestock, and GIPSA may not prohibit packers from using captive supplies without evidence that the use of captive supplies causes harm or is likely to result in the type of harm that the Act was intended to prevent.

As discussed earlier in this report, many buyers (packers) and sellers (producers) choose to enter captive supply arrangements for valid business reasons. Captive supply arrangements, like other market innovations and changing business practices, benefit those market participants, both buyers and sellers, who use them even while other market participants, who rely exclusively on the spot market, may not realize these benefits. However, if GIPSA finds evidence that a packer is using captive supply to manipulate spot market prices or to violate the Act in any other manner, GIPSA may bring a formal disciplinary action and seek an appropriate civil penalty.